



WENDY L. WATANABE  
AUDITOR-CONTROLLER

## COUNTY OF LOS ANGELES DEPARTMENT OF AUDITOR-CONTROLLER

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February 13, 2014

TO: Supervisor Don Knabe, Chairman  
Supervisor Gloria Molina  
Supervisor Mark Ridley-Thomas  
Supervisor Zev Yaroslavsky  
Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe  
Auditor-Controller

A handwritten signature in blue ink, reading "Wendy L. Watanabe", is written over the printed name and title.

SUBJECT: **LOS ANGELES CENTERS FOR ALCOHOL AND DRUG ABUSE – A  
DEPARTMENT OF PUBLIC HEALTH HIV/AIDS PREVENTION AND  
CARE SERVICES PROVIDER – CONTRACT COMPLIANCE REVIEW**

We completed a contract compliance review of the Los Angeles Centers for Alcohol and Drug Abuse (L.A. CADA or Agency), which covered a sample of transactions from March 2011 to September 2012. The County Department of Public Health Division of HIV and STD Programs (DHSP) contracts with L.A. CADA, a non-profit organization, to provide HIV/AIDS health education risk reduction outreach, treatment education, and substance abuse residential rehabilitation services.

The purpose of our review was to determine whether L.A. CADA provided services to eligible clients, and spent DHSP funds in accordance with their County contracts. We also evaluated the adequacy of the Agency's financial records, internal controls, and compliance with their contracts and applicable guidelines.

At the time of our review, L.A. CADA had two cost-reimbursement contracts and one fixed-fee contract with DHSP. DHSP paid the Agency approximately \$492,000 from March 2011 to September 2012. L.A. CADA provides services in the First Supervisorial District.

### **Results of Review**

L.A. CADA recorded and deposited DHSP payments timely and maintained the required personnel records. However, L.A. CADA had \$52,117 in unsupported expenditures. Specifically, L.A. CADA:

- Charged DHSP \$38,041 in unsupported payroll and employee benefit expenditures. Subsequent to our review, L.A. CADA indicated employees were given incorrect timecard codes for their timecards, and provided amended time records supported by the number of clients served to support \$35,734. As a result, the remaining questioned cost is \$2,307.
- Charged DHSP \$11,715 in unsupported shared maintenance, office supplies, food, and leased equipment expenditures. Subsequent to our review, L.A. CADA provided support for the \$5,854 in shared expenditures. As a result, the remaining questioned cost is \$5,861.
- Did not maintain adequate documentation to support \$1,600 in gift cards expenditures charged to DHSP.
- Charged \$522 of expenditures in their Cost Report for the period ending June 2012 that were not supported by the Agency's accounting records.
- Allocated the same office expenditures twice to DHSP resulting in questioned costs totaling \$239.

In addition, L.A. CADA did not always comply with their County contract requirements. Specifically, L.A. CADA did not:

- Maintain adequate documentation such as proof of residency and income verification for two (20%) of the ten clients' eligibility.
- Develop and implement a client fee schedule.
- Resolve 22 reconciling items, totaling \$9,161, that were more than a year old.
- Ensure three (43%) of the seven employees' timecards were signed and approved by their supervisors.

Details of our review, along with recommendations for corrective action, are attached.

**Review of Report**

We discussed our report with L.A. CADA. L.A. CADA initially agreed to provide its response on December 13, 2013, but requested an extension to December 27, 2013. To date, L.A. CADA has not provided their response. L.A. CADA will respond directly to DHSP, who will work with the Agency to ensure our recommendations are implemented.

We thank L.A. CADA management and staff for their cooperation and assistance during our review. Please call me if you have any questions, or your staff may contact Don Chadwick at (213) 253-0301.

WLW:AB:DC:EB

Attachment

c: William T Fujioka, Chief Executive Officer  
Jonathan E. Fielding, M.D., M.P.H., Director, Department of Public Health  
Dr. Ethan Allen, President, Board of Directors, L.A. CADA  
Brenda Wiewel, Executive Director, L.A. CADA  
Public Information Office  
Audit Committee

**LOS ANGELES CENTERS FOR ALCOHOL AND DRUG ABUSE  
HIV/AIDS PREVENTION AND CARE SERVICES  
MARCH 2011 TO SEPTEMBER 2012**

**BILLED SERVICES/ELIGIBILITY**

**Objective**

Determine whether the Los Angeles Centers for Alcohol and Drug Abuse (L.A. CADA or Agency) provided services to clients who met the Department of Public Health Division of HIV and STD Programs (DHSP) eligibility requirements. In addition, determine whether L.A. CADA provided the services billed to DHSP and collected fees from eligible clients in accordance with their County contracts.

**Verification**

We reviewed the case files for ten (20%) of the 49 clients who received services during our review period for documentation of their eligibility for DHSP services. We also verified whether the Agency collected fees from clients in accordance with the Agency's approved client fee schedule. In addition, we reconciled the 34 bed-days the Agency billed to DHSP in September 2012 to sign-in sheets, activity reports, and other supporting documentation in the clients' files.

**Results**

L.A. CADA had documentation to support the 34 bed-days billed to DHSP. However, L.A. CADA did not maintain proof of residency and income verification for two (20%) of the ten client files sampled to support their eligibility to receive DHSP services as required by their County contract. As a result, the Agency had \$3,458 in services provided to ineligible clients.

In addition, L.A. CADA did not provide documentation to support that referral services were provided to assist clients in applying for public assistance as required by their County contract. L.A. CADA also did not develop and implement a client fee schedule to collect fees from clients based on their ability to pay as required in the Additional Provisions of the County contract. A similar finding was noted in our prior monitoring report.

**Recommendations**

**Los Angeles Centers for Alcohol and Drug Abuse management:**

- 1. Repay the Department of Public Health Division of HIV and STD Programs \$3,458 in unallowable services or provide documentation to support the clients' eligibility.**

- 2. Maintain adequate documentation in clients' files to support the clients' eligibility.**
- 3. Ensure referral services to public assistance programs are provided to clients.**
- 4. Develop and implement a client fee schedule to collect fees from clients based on their ability to pay, and have the fee schedule reviewed and approved by the Department of Public Health Division of HIV and STD Programs.**

**CASH/REVENUE**

**Objective**

Determine whether L.A. CADA recorded revenue in their financial records properly, deposited cash receipts in their bank account timely, and that bank account reconciliations were reviewed and approved by Agency management timely.

**Verification**

We interviewed L.A. CADA personnel, reviewed the Agency's financial records and September 2012 bank reconciliation for one bank account.

**Results**

L.A. CADA management reviewed and approved the September 2012 bank reconciliation timely. However, L.A. CADA did not follow its Accounting Policies and Procedures to resolve outstanding reconciling items that are over 90 days old and had 22 reconciling items, totaling \$9,161, that were more than a year old. L.A. CADA did not provide documentation to support the outstanding reconciling items, therefore, we could not determine whether the outstanding items were related to the County Programs. A similar finding was noted in our prior monitoring report.

**Recommendation**

- 5. Los Angeles Centers for Alcohol and Drug Abuse management ensure reconciling items are resolved in a timely manner and repay the Department of Public Health Division of HIV and STD Programs for any unpaid Program related reconciling items.**

**EXPENDITURES****Objective**

Determine whether expenditures charged to DHSP were allowable under their County contract, documented properly, billed accurately, and allocated according to its Cost Allocation Plan (Plan).

**Verification**

We interviewed Agency personnel, and reviewed financial records for 27 expenditure transactions, totaling \$22,227, that the Agency charged to DHSP from January 2012 to September 2012.

**Results**

L.A. CADA's Plan was prepared in compliance with their County contract. However, L.A. CADA did not follow its Plan and allocated \$11,954 in unsupported and unallowable costs. Specifically, L.A. CADA:

- Charged DHSP \$11,715 in unsupported shared maintenance, office supplies, food and leased equipment expenditures. Subsequent to our review, L.A. CADA provided an actual count on client served for our review period to support \$5,854 of the allocated expenditures. As a result, the balance of questioned cost is \$5,861.
- Allocated the same office expenditures twice to DHSP, resulting in an over billing of \$239.

In addition, L.A. CADA did not provide documentation to support \$1,600 in gift cards that were given to clients after completing a session or training.

**Recommendations****Los Angeles Centers for Alcohol and Drug Abuse management:**

6. **Repay the Department of Public Health Division of HIV and STD Programs \$5,861 (\$11,715 - \$5,854) for unsupported allocations, and reduce their program general ledger and cost report by the same amount.**
7. **Repay the Department of Public Health Division of HIV and STD Programs \$239 for the amount overbilled.**
8. **Ensure shared expenditures are allocated based on actual data.**

9. **Repay the Department of Public Health Division of HIV and STD Programs \$1,600 or provide adequate documentation to support the expenditures were Program related.**
10. **Ensure Program expenditures are adequately supported by proper documentation.**

### **PAYROLL AND PERSONNEL**

#### **Objective**

Determine whether L.A. CADA charged payroll costs to DHSP appropriately, and maintained personnel files as required.

#### **Verification**

We compared the payroll costs for seven employees, totaling \$11,540 for September 2012, to the Agency's payroll records and timecards. We also reviewed the personnel files. Based on the results of our initial review, we expanded our sample size and tested an additional \$31,181 in payroll costs adjustments that were made at the end of their County contract.

#### **Results**

L.A. CADA maintained personnel files as required by their County contract. However, L.A. CADA charged DHSP \$38,041 in unsupported payroll and employee benefit expenditures that were made at the end of their County contract. Specifically, L.A. CADA charged \$31,181 in payroll expenditures and \$6,860 in employee benefit expenditures that were not supported by employees' timecards. Subsequent to our review, L.A. CADA provided amended time records based on clients served for our review period to appropriately support \$35,734 in payroll and employee benefit questioned costs. As a result, the balance of questioned cost is \$2,307.

In addition, three (43%) of the seven employees' September 2012 timecards were not signed and approved by their supervisors.

#### **Recommendations**

##### **Los Angeles Centers for Alcohol and Drug Abuse management:**

11. **Repay the Department of Public Health Division of HIV and STD Programs \$2,307 (\$38,041 - \$35,734), and reduce their program general ledger and cost report by the same amount.**
12. **Ensure payroll expenditures are supported by employees' time records.**

- 13. Ensure that employees' timecards are accurately coded.**
- 14. Ensure employees' timecards are properly reviewed and approved by a supervisor.**

### **COST REPORTS**

#### **Objective**

Determine whether L.A. CADA's Cost Reports reconciled to their financial records.

#### **Verification**

We compared the Agency's Cost Reports submitted to DHSP for the period ended February 2012 and June 2012 to their financial records.

#### **Results**

One of L.A. CADA's Cost Reports did not reconcile to their financial records. Specifically, the Agency's financial records did not support \$522 in expenditures that were included in their Cost Report for the period ending June 2012.

#### **Recommendations**

**Los Angeles Centers for Alcohol and Drug Abuse management:**

- 15. Repay the Department of Public Health Division of HIV and STD Programs \$522 or provide documentation to support the expenditures.**
- 16. Ensure Cost Reports reconcile to the Agency's financial records.**